

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charter Township of Gun Plain
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Gun Plain's (the Township), financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$177,926 (4 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$219,451, and net assets of the business-type activities decreased by \$41,525.
- Of the \$5,080,511 total net assets reported, \$1,302,319 (26 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$574,334, which represents 67 percent of the actual total expenditures of the General Fund for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2006 and 2005 is also presented.

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here as well as its construction code inspection services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township has two kinds of funds:

- *Governmental funds.* Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

Charter Township of Gun Plain

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$5,080,511, an increase of 4 percent compared to the prior year. Of this total, \$3,151,355 is invested in capital assets and \$626,837 is restricted for debt service. Consequently, unrestricted net assets were \$1,302,319, or 26 percent of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Current and other assets	\$1,020,413	\$1,044,412	\$ 714,925	\$ 919,193	\$1,735,338	\$1,963,605
Capital assets	<u>513,543</u>	<u>694,950</u>	<u>3,951,249</u>	<u>3,526,405</u>	<u>4,464,792</u>	<u>4,221,355</u>
Total assets	<u>1,533,956</u>	<u>1,739,362</u>	<u>4,666,174</u>	<u>4,445,598</u>	<u>6,200,130</u>	<u>6,184,960</u>
Current liabilities	25,645	11,600	151,900	22,849	177,545	34,449
Long-term debt outstanding	<u>-</u>	<u>-</u>	<u>1,120,000</u>	<u>1,070,000</u>	<u>1,120,000</u>	<u>1,070,000</u>
Total liabilities	<u>25,645</u>	<u>11,600</u>	<u>1,271,900</u>	<u>1,092,849</u>	<u>1,297,545</u>	<u>1,104,449</u>
Net assets:						
Invested in capital assets, net of related debt	543,543	694,950	2,377,191	2,456,405	2,920,734	3,151,355
Restricted	-	-	-	626,837	-	626,837
Unrestricted	<u>964,768</u>	<u>1,032,812</u>	<u>1,017,083</u>	<u>269,507</u>	<u>1,981,851</u>	<u>1,302,319</u>
Total net assets	<u>\$1,508,311</u>	<u>\$1,727,762</u>	<u>\$3,394,274</u>	<u>\$3,352,749</u>	<u>\$4,902,585</u>	<u>\$5,080,511</u>

Changes in net assets. The Township's total revenues are \$1,377,420. Over 30 percent of the revenues come from charges for services, primarily from sewer and water services. Nearly 28 percent of the total revenues come from state shared revenue while property taxes account for 25 percent of the total revenues.

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all the Township's programs, covering a wide range of services, totaled \$1,199,494. Over 35 percent of the Township's costs relate to the provision of utility services. General government costs account for 34 percent of the Township's total costs and public safety costs represent 21 percent.

Condensed financial information Changes in Net Assets						
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 118,749	\$ 134,501	\$ 270,816	\$ 279,041	\$ 389,565	\$ 413,542
Operating grants and contributions	5,086	-	-	-	5,086	-
Capital grants and contributions	30,000	105,000	84,603	80,357	114,603	185,357
General revenues:						
Property taxes	328,830	339,933	-	-	328,830	339,933
State shared revenue	385,210	385,605	-	-	385,210	385,605
Franchise fees	16,397	16,532	-	-	16,397	16,532
Other	659	18,863	7,773	17,588	8,432	36,451
Total revenues	<u>884,931</u>	<u>1,000,434</u>	<u>363,192</u>	<u>376,986</u>	<u>1,248,123</u>	<u>1,377,420</u>
Expenses:						
Legislative	12,599	12,959	-	-	12,599	12,959
General government	427,872	404,344	-	-	427,872	404,344
Public safety	220,681	254,866	-	-	220,681	254,866
Public works	81,914	95,868	-	-	81,914	95,868
Community and economic development	3,626	6,086	-	-	3,626	6,086
Culture and recreation	6,860	6,860	-	-	6,860	6,860
Sewer	-	-	297,521	280,131	297,521	280,131
Water	-	-	151,523	138,380	151,523	138,380
Total expenses	<u>753,552</u>	<u>780,983</u>	<u>449,044</u>	<u>418,511</u>	<u>1,202,596</u>	<u>1,199,494</u>
Increase (decrease) in net assets	<u>\$ 131,379</u>	<u>\$ 219,451</u>	<u>\$ (85,852)</u>	<u>\$ (41,525)</u>	<u>\$ 45,527</u>	<u>\$ 177,926</u>

Governmental activities

Governmental activities increased the Township's net assets by \$219,451. The key factors for this increase include the receipt of a \$105,000 capital grant for a new fire truck, the increase in property tax revenue of \$11,103, and the conservative spending habits of the Township Board.

The cost of all governmental activities this year was \$780,983. After subtracting the direct charges to those who directly benefited from the programs \$(134,501), and capital grants \$(105,000), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$541,482.

Business-type activities

Business-type activities decreased the Township's net assets by \$41,525. The decrease was the result of the costs associated with a well failure, repairs, and debt service costs.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,032,812, an increase of \$68,044 in comparison with the prior year. The total fund balances are unreserved, meaning they are available for spending at the Board's discretion; however, the Board has designated \$376,366 of the fund balances for specific purposes.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$950,700, which represents 112 percent of the actual total expenditures of the General Fund for the current fiscal year. The fund balance of the General Fund increased by \$63,588 during the fiscal year primarily due to the elimination of the Township Manager position and higher interest rates.

The Cemetery Fund experienced an increase in fund balance of \$4,456. The increase occurred because of the increase in the number of burials.

Proprietary funds

The Sewer Fund experienced a decrease in net assets in the amount of \$5,755 because of the increase in electricity costs, repairs, and the insufficient billing for debt service. Net assets were \$1,814,364 at year-end of which \$101,456 was unrestricted.

The Water Fund experienced a decrease in net assets in the amount of \$35,770 due to the rebuilding of a well. Net assets were \$1,538,385 at year-end of which \$168,051 were unrestricted.

General fund budgetary highlights

It was unnecessary for the Board to amend the budgeted expenditures of the General Fund during the year as total actual expenditures were \$155,363 less than the amount originally budgeted.

Revenues were \$91,725 less than budgeted while expenditures were \$155,363 less than the amounts appropriated which resulted in a \$63,638 positive budget variance and a \$63,588 increase in fund balance compared to a budgeted \$50 decrease. There were no significant negative variances in any of the functional expenditure classifications.

Charter Township of Gun Plain
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounts to \$4,221,355 (net of accumulated depreciation). This investment includes a broad range of assets, including buildings, fire equipment, road improvements, and sewer and water facilities. The increase in the Township's net investment in capital assets for the current fiscal year was \$90,621.

Major capital asset events during the current fiscal year included the following:

- Road improvements on 106th Avenue and 109th Avenue totaling \$95,726
- Purchase of a fire truck for \$135,000

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the Township had total long-term debt outstanding in the amount of \$1,070,000 which represents a decrease of \$170,000.

During the year ended March 31, 2006, the Township reduced its long-term debt through the scheduled principal payments on each of its three bond issues related to the Sewer Fund. Total retirements amounted to \$170,000.

More detailed information about the Township's long-term liabilities is presented in Note 6 of the notes to the basic financial statements.

Economic condition and outlook

The budget for the subsequent year anticipates expenditures totaling \$1,416,175 with revenues sufficient to finance operations without using any fund balance. We increased water rates in August 2005 and again in June 2006 to try and keep up with the costs of operating and maintaining the water system.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Joan Burnell, Township Treasurer
Charter Township of Gun Plain
381 8th Street, P.O. Box 146
Plainwell, MI 49080

Phone: (269) 685-9471

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Gun Plain, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Charter Township of Gun Plain, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Charter Township of Gun Plain, Michigan, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

May 24, 2006

BASIC FINANCIAL STATEMENTS

Charter Township of Gun Plain
STATEMENT OF NET ASSETS
 March 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 577,035	\$ 567,203	\$ 1,144,238
Investments	386,214	-	386,214
Receivables, net	81,163	93,064	174,227
Total current assets	<u>1,044,412</u>	<u>660,267</u>	<u>1,704,679</u>
Noncurrent assets:			
Receivables, net	-	258,926	258,926
Capital assets, net	694,950	3,526,405	4,221,355
Total noncurrent assets	<u>694,950</u>	<u>3,785,331</u>	<u>4,480,281</u>
Total assets	<u>1,739,362</u>	<u>4,445,598</u>	<u>6,184,960</u>
LIABILITIES			
Current liabilities:			
Payables	11,600	22,849	34,449
Bonds payable	-	100,000	100,000
Total current liabilities	<u>11,600</u>	<u>122,849</u>	<u>134,449</u>
Noncurrent liabilities:			
Bonds payable	-	970,000	970,000
Total liabilities	<u>11,600</u>	<u>1,092,849</u>	<u>1,104,449</u>
NET ASSETS			
Invested in capital assets, net of related debt	694,950	2,456,405	3,151,355
Restricted for debt service	-	626,837	626,837
Unrestricted	1,032,812	269,507	1,302,319
Total net assets	<u>\$ 1,727,762</u>	<u>\$ 3,352,749</u>	<u>\$ 5,080,511</u>

See notes to the financial statements

Charter Township of Gun Plain
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 12,959	\$ -	\$ -	\$ -
General government	404,344	67,400	-	-
Public safety	254,866	62,371	-	105,000
Public works	95,868	2,250	-	-
Community and economic development	6,086	2,480	-	-
Culture and recreation	6,860	-	-	-
Total governmental activities	<u>780,983</u>	<u>134,501</u>	<u>-</u>	<u>105,000</u>
Business-type activities:				
Sewer	280,131	182,229	-	80,357
Water	138,380	96,812	-	-
Total business-type activities	<u>418,511</u>	<u>279,041</u>	<u>-</u>	<u>80,357</u>
Totals	<u>\$ 1,199,494</u>	<u>\$ 413,542</u>	<u>\$ -</u>	<u>\$ 185,357</u>

General revenues:
Property taxes
State shared revenue
Cable franchise fees
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expense) revenue and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (12,959)		\$ (12,959)
(336,944)		(336,944)
(87,495)		(87,495)
(93,618)		(93,618)
(3,606)		(3,606)
<u>(6,860)</u>		<u>(6,860)</u>
 <u>(541,482)</u>		 <u>(541,482)</u>
	\$ (17,545)	(17,545)
	<u>(41,568)</u>	<u>(41,568)</u>
	 <u>(59,113)</u>	 <u>(59,113)</u>
<u>(541,482)</u>	<u>(59,113)</u>	<u>(600,595)</u>
 339,933	-	339,933
385,605	-	385,605
16,532	-	16,532
18,471	17,588	36,059
<u>392</u>	<u>-</u>	<u>392</u>
<u>760,933</u>	<u>17,588</u>	<u>778,521</u>
 219,451	(41,525)	177,926
<u>1,508,311</u>	<u>3,394,274</u>	<u>4,902,585</u>
 <u>\$ 1,727,762</u>	 <u>\$ 3,352,749</u>	 <u>\$ 5,080,511</u>

See notes to the financial statements

Charter Township of Gun Plain
BALANCE SHEET - governmental funds

March 31, 2006

	<u>General</u>	<u>Cemetery</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 495,049	\$ 81,986	\$ 577,035
Investments	386,214	-	386,214
Receivables, net	<u>81,037</u>	<u>126</u>	<u>81,163</u>
Total assets	<u>\$ 962,300</u>	<u>\$ 82,112</u>	<u>\$ 1,044,412</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	<u>\$ 11,600</u>	<u>\$ -</u>	<u>\$ 11,600</u>
Fund balances:			
Unreserved:			
Designated	376,366	-	376,366
Undesignated	<u>574,334</u>	<u>82,112</u>	<u>656,446</u>
Total fund balances	<u>950,700</u>	<u>82,112</u>	<u>1,032,812</u>
Total liabilities and fund balances	<u>\$ 962,300</u>	<u>\$ 82,112</u>	<u>\$ 1,044,412</u>
Total fund balances - governmental funds			\$ 1,032,812
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			<u>694,950</u>
Net assets of <i>governmental activities</i>			<u>\$ 1,727,762</u>

See notes to the financial statements

Charter Township of Gun Plain**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2006

	<u>General</u>	<u>Cemetery</u>	<u>Total governmental funds</u>
REVENUES			
Property taxes	\$ 339,933	\$ -	\$ 339,933
Licenses and permits	80,746	-	80,746
Federal grant	105,000	-	105,000
State grants	385,605	-	385,605
Charges for services	-	62,409	62,409
Fines and forfeitures	637	-	637
Interest	21,003	2,459	23,462
Other	2,642	-	2,642
	<u>935,566</u>	<u>64,868</u>	<u>1,000,434</u>
Total revenues			
EXPENDITURES			
Legislative	12,959	-	12,959
General government	316,384	74,462	390,846
Public safety	206,458	-	206,458
Public works	177,547	-	177,547
Community and economic development	6,086	-	6,086
Culture and recreation	6,860	-	6,860
Capital outlay	125,684	5,950	131,634
	<u>851,978</u>	<u>80,412</u>	<u>932,390</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>83,588</u>	<u>(15,544)</u>	<u>68,044</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	20,000	20,000
Transfers out	(20,000)	-	(20,000)
	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	63,588	4,456	68,044
FUND BALANCES - BEGINNING	<u>887,112</u>	<u>77,656</u>	<u>964,768</u>
FUND BALANCES - ENDING	<u>\$ 950,700</u>	<u>\$ 82,112</u>	<u>\$ 1,032,812</u>

See notes to the financial statements

Charter Township of Gun Plain

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2006

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities.

Net change in fund balances - total governmental funds	\$	68,044
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Amounts reported for governmental activities in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add - capital outlay	226,483
Deduct - depreciation expense	<u>(75,076)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 219,451</u>

See notes to the financial statements

Charter Township of Gun Plain
STATEMENT OF NET ASSETS - proprietary funds

March 31, 2006

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 412,216	\$ 154,987	\$ 567,203
Receivables, net	<u>80,000</u>	<u>13,064</u>	<u>93,064</u>
Total current assets	<u>492,216</u>	<u>168,051</u>	<u>660,267</u>
Noncurrent assets:			
Receivables, net	258,926	-	258,926
Capital assets, net of accumulated depreciation	<u>2,156,071</u>	<u>1,370,334</u>	<u>3,526,405</u>
Total noncurrent assets	<u>2,414,997</u>	<u>1,370,334</u>	<u>3,785,331</u>
Total assets	<u>2,907,213</u>	<u>1,538,385</u>	<u>4,445,598</u>
LIABILITIES			
Current liabilities:			
Payables	22,849	-	22,849
Bonds payable	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total current liabilities	<u>122,849</u>	<u>-</u>	<u>122,849</u>
Noncurrent liabilities:			
Bonds payable	<u>970,000</u>	<u>-</u>	<u>970,000</u>
Total liabilities	<u>1,092,849</u>	<u>-</u>	<u>1,092,849</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,086,071	1,370,334	2,456,405
Restricted for debt service	626,837	-	626,837
Unrestricted	<u>101,456</u>	<u>168,051</u>	<u>269,507</u>
Total net assets	<u>\$ 1,814,364</u>	<u>\$ 1,538,385</u>	<u>\$ 3,352,749</u>

See notes to the financial statements

Charter Township of Gun Plain**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND****NET ASSETS - proprietary funds**

Year ended March 31, 2006

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 168,079	\$ 85,088	\$ 253,167
Other	<u>14,150</u>	<u>11,724</u>	<u>25,874</u>
Total operating revenues	<u>182,229</u>	<u>96,812</u>	<u>279,041</u>
OPERATING EXPENSES			
Personnel	1,933	5,952	7,885
Supplies	3,636	12,829	16,465
Contracted services	1,181	442	1,623
System operation and maintenance	27,420	50,961	78,381
Insurance	6,000	2,700	8,700
Utilities	7,453	7,701	15,154
Flow charges	104,838	-	104,838
Water fees	-	14,995	14,995
Depreciation	<u>71,082</u>	<u>42,800</u>	<u>113,882</u>
Total operating expenses	<u>223,543</u>	<u>138,380</u>	<u>361,923</u>
Operating loss	<u>(41,314)</u>	<u>(41,568)</u>	<u>(82,882)</u>
NONOPERATING REVENUES (EXPENSES)			
Debt service charges	40,794	-	40,794
Special assessment interest	39,563	-	39,563
Interest revenue	11,790	5,798	17,588
Interest expense	<u>(56,588)</u>	<u>-</u>	<u>(56,588)</u>
Total nonoperating revenues	<u>35,559</u>	<u>5,798</u>	<u>41,357</u>
CHANGE IN NET ASSETS	<u>(5,755)</u>	<u>(35,770)</u>	<u>(41,525)</u>
NET ASSETS - BEGINNING	<u>1,820,119</u>	<u>1,574,155</u>	<u>3,394,274</u>
NET ASSETS - ENDING	<u>\$ 1,814,364</u>	<u>\$ 1,538,385</u>	<u>\$ 3,352,749</u>

See notes to the financial statements

Charter Township of Gun Plain
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2006

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 206,893	\$ 96,105	\$ 302,998
Payments to vendors and suppliers	(155,264)	(92,341)	(247,605)
Payments to employees	(1,933)	(5,952)	(7,885)
Net cash provided by (used in) operating activities	<u>49,696</u>	<u>(2,188)</u>	<u>47,508</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Collection of special assessment principal	80,467	-	80,467
Collection of special assessment interest	39,563	-	39,563
Debt service charges	40,794	-	40,794
Acquisition of capital assets	(23,097)	-	(23,097)
Principal payments on capital debt	(170,000)	-	(170,000)
Interest payments on capital debt	(58,188)	-	(58,188)
Net cash used in capital and related financing activities	<u>(90,461)</u>	<u>-</u>	<u>(90,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>11,790</u>	<u>5,798</u>	<u>17,588</u>
NET INCREASE (DECREASE) IN CASH	<u>(28,975)</u>	<u>3,610</u>	<u>(25,365)</u>
CASH - BEGINNING	<u>441,191</u>	<u>151,377</u>	<u>592,568</u>
CASH - ENDING	<u>\$ 412,216</u>	<u>\$ 154,987</u>	<u>\$ 567,203</u>

See notes to the financial statements

Charter Township of Gun Plain**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended March 31, 2006

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (41,314)	\$ (41,568)	\$ (82,882)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	71,082	42,800	113,882
(Increase) decrease in:			
Receivables, net	24,664	(707)	23,957
Increase (decrease) in:			
Payables	<u>(4,736)</u>	<u>(2,713)</u>	<u>(7,449)</u>
 Net cash provided by (used in) operating activities	 \$ <u>49,696</u>	 \$ <u>(2,188)</u>	 \$ <u>47,508</u>

See notes to the financial statements

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Gun Plain, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Cemetery Fund accounts for funds earmarked for the purpose of maintaining cemeteries within the Township.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and sewer and water systems), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer and water systems	50 years
Road improvements	10 - 20 years

iv) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variances.

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Deposits	\$ 577,034	\$ 567,103	\$ 1,144,137
Cash on hand	1	100	101
Investments	386,214	-	386,214
	<u>\$ 963,249</u>	<u>\$ 567,203</u>	<u>\$ 1,530,452</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, \$957,043 of the Township's bank balances of \$1,194,768 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

The Township's investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township:

<u>Investment type</u>	<u>Carrying amount</u>
U.S. government and agency securities	\$ <u>386,214</u>

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments. At year end, the average maturities of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (in years)</u>
U.S. government and agency securities:		
Federal Home Loan Mortgage Corporation	\$ 64,461	2.51
Federal Farm Credit Bank	55,760	2.52
Federal Home Loan Bank	<u>265,993</u>	2.21
	<u>\$ 386,214</u>	

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. At year end, the credit quality ratings of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating organization</u>
U.S. government and agency securities:			
Federal Home Loan Mortgage Corporation	\$ 64,461	AAA	S&P
Federal Farm Credit Bank	55,760	AAA	S&P
Federal Home Loan Bank	<u>265,993</u>	AAA	S&P
	<u>\$ 386,214</u>		

Concentration of credit risk. State statutes and the Township's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the City's total investment are as follows:

<u>Issuer</u>	<u>Fair value</u>	<u>Percentage</u>
U.S. government agencies:		
Federal Home Loan Bank	\$ 265,993	69%
Federal Home Loan Mortgage Corporation	64,461	17%
Federal Farm Credit Bank	<u>55,760</u>	14%
	<u>\$ 386,214</u>	

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year-end for the Township's individual major funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Inter- governmental</i>	<i>Special assessments</i>	<i>Totals</i>
Governmental activities:					
General Fund	\$ -	\$ 16,935	\$ 64,102	\$ -	\$ 81,037
Cemetery Fund	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>
Total governmental activities	<u>\$ 126</u>	<u>\$ 16,935</u>	<u>\$ 64,102</u>	<u>\$ -</u>	<u>\$ 81,163</u>
Business-type activities:					
Sewer Fund	\$ 21,007	\$ -	\$ 2,980	\$ 314,939	\$ 338,926
Water Fund	<u>13,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,064</u>
Total business-type activities	<u>\$ 34,071</u>	<u>\$ -</u>	<u>\$ 2,980</u>	<u>\$ 314,939</u>	<u>\$ 351,990</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,926</u>	<u>\$ 258,926</u>

All receivables are considered fully collectible.

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 409,367	\$ -	\$ -	\$ 409,367
Roads	120,962	95,726	-	216,688
Equipment and vehicles	512,693	160,757	-	673,450
Total capital assets being depreciated	1,043,022	256,483	-	1,299,505
Less accumulated depreciation:				
Buildings	131,022	8,043	-	139,065
Roads	5,376	14,047	-	19,423
Equipment and vehicles	393,081	52,986	-	446,067
Total accumulated depreciation	529,479	75,076	-	604,555
Governmental activities capital assets, net	<u>\$ 513,543</u>	<u>\$ 181,407</u>	<u>\$ -</u>	<u>\$ 694,950</u>
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 2,911,773	\$ 23,097	\$ -	\$ 2,934,870
Water system	2,124,791	-	-	2,124,791
Office equipment	2,974	-	-	2,974
Total capital assets being depreciated	5,039,538	23,097	-	5,062,635
Less accumulated depreciation:				
Sewer system	709,299	69,500	-	778,799
Water system	711,657	42,800	-	754,457
Office equipment	1,391	1,583	-	2,974
Total accumulated depreciation	1,422,347	113,883	-	1,536,230
Business-type activities capital assets, net	<u>\$ 3,617,191</u>	<u>\$ (90,786)</u>	<u>\$ -</u>	<u>\$ 3,526,405</u>

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 13,498
Public safety	47,531
Public works	<u>14,047</u>
 Total governmental activities	 \$ <u>75,076</u>

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2006, noncurrent liabilities are comprised of the following individual issues:

Business-type activities:

Bonds:

\$690,000 1999 Sewer limited tax general obligation bonds due in annual installments ranging from \$15,000 to \$55,000, plus interest ranging from 4.0% to 5.375%; final payment due November 2019	580,000
 \$890,000 1999 Sewer special assessment bonds due in annual installments of \$70,000 plus interest ranging from 3.8% to 4.9%; final payment due September 2012	 <u>490,000</u>
 Total business-type activities long-term obligations	 <u>\$1,070,000</u>

Long-term obligation activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
1993 Sewer revenue bonds	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
1999 Sewer assessment bonds	560,000	-	(70,000)	490,000	70,000
1999 Sewer revenue bonds	<u>605,000</u>	<u>-</u>	<u>(25,000)</u>	<u>580,000</u>	<u>30,000</u>
 Total long-term obligations	 <u>\$ 1,240,000</u>	 <u>\$ -</u>	 <u>\$ (170,000)</u>	 <u>\$ 1,070,000</u>	 <u>\$ 100,000</u>

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

At March 31, 2006, debt service requirements were as follows:

<i>Year ended</i> <i>March 31:</i>	<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>
2007	\$ 100,000	\$ 50,807
2008	100,000	46,382
2009	100,000	41,857
2010	105,000	37,232
2011	105,000	32,297
2012 - 2016	350,000	96,975
2017 - 2021	<u>210,000</u>	<u>28,756</u>
Totals	<u>\$ 1,070,000</u>	<u>\$ 334,306</u>

NOTE 7 - PAYABLES:

Payables as of year-end for the Township's individual major funds are as follows:

	<i>Accounts</i>	<i>Interest</i>	<i>Totals</i>
Governmental activities:			
General	\$ 11,600	\$ -	\$ 11,600
Cemetery	-	-	-
	<u>\$ 11,600</u>	<u>\$ -</u>	<u>\$ 11,600</u>
Business-type activities:			
Sewer	\$ 8,049	\$ 14,800	\$ 22,849
Water	-	-	-
Total business-type activities	<u>\$ 8,049</u>	<u>\$ 14,800</u>	<u>\$ 22,849</u>

Charter Township of Gun Plain
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The interfund transfer for the year ended March 31, 2006, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Cemetery	\$ <u>20,000</u>	General	\$ <u>20,000</u>

This transfer moved unrestricted revenues, collected in the General Fund, to the Cemetery Fund in accordance with budgetary authorizations.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for its elected officials through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$14,099 for the year ended March 31, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Gun Plain**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 328,342	\$ 328,342	\$ 339,933	\$ 11,591
Licenses and permits	73,000	73,000	80,746	7,746
Federal grant	135,000	135,000	105,000	(30,000)
State grants	399,649	399,649	385,605	(14,044)
Fines and forfeitures	4,000	4,000	637	(3,363)
Interest and rentals	16,500	16,500	21,003	4,503
Other	<u>70,800</u>	<u>70,800</u>	<u>2,642</u>	<u>(68,158)</u>
Total revenues	<u>1,027,291</u>	<u>1,027,291</u>	<u>935,566</u>	<u>(91,725)</u>
EXPENDITURES				
Legislative	13,281	13,281	12,959	322
General government	366,675	366,675	316,384	50,291
Public safety	214,542	214,542	206,458	8,084
Public works	234,356	234,356	177,547	56,809
Community and economic development	11,987	11,987	6,086	5,901
Culture and recreation	7,000	7,000	6,860	140
Capital outlay	<u>159,500</u>	<u>159,500</u>	<u>125,684</u>	<u>33,816</u>
Total expenditures	<u>1,007,341</u>	<u>1,007,341</u>	<u>851,978</u>	<u>155,363</u>
EXCESS OF REVENUES OVER EXPENDITURES	19,950	19,950	83,588	63,638
OTHER FINANCING USES				
Transfer out - Cemetery Fund	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(50)	(50)	63,588	63,638
FUND BALANCES - BEGINNING	<u>887,112</u>	<u>887,112</u>	<u>887,112</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 887,062</u>	<u>\$ 887,062</u>	<u>\$ 950,700</u>	<u>\$ 63,638</u>